

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 EA-10 ISO-00 CIAE-00 DODE-00 PM-05

H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02

SS-15 USIA-06 AGRE-00 EB-08 OMB-01 TRSE-00 COME-00

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC PRIORITY 9452

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

USMISSION USBERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

USINT HAVANA

AMCONSUL HONG KONG

AMCONSUL LENINGRAD

AMCONSUL MUNICH

USLO PEKING

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY TOKYO

AMEMBASSY WARSAW

C O N F I D E N T I A L MOSCOW 05506

E.O.11652:GDS

TAGS:EGEN, SOCI, EAIR, UR

SUBJECT: SOVIETS DENY THEY PLAN TO RAISE FOOD PRICES

REF: (A) MOSCOW 3470, (B) MOSCOW 3532, (C) MOSCOW 4189

SUMMARY: PERSISTENT RUMORS HAVE CAUSED SOVIET AUTHORITIES
TO ISSUE A DENIAL THAT THEY PLAN TO RAISE THE RETAIL PRICES
OF FOODSTUFFS. THIS ACT UNDERSCORES LEADERSHIP SENSITIVITY
ABOUT THE WHOLE QUESTION OF PRICES, A SENSITIVITY WHICH
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SEEMS TO US GREATER THAN WARRANTED BY ANY INDICATIONS OF
PUBLIC MOOD WE HAVE BEEN ABLE TO OBSERVE. END SUMMARY.

1. SMALL FRONT PAGE NEWS STORY IN MARCH 22 EDITION OF
IZVESTIYA SAYS IN RESPONSE TO PEOPLE'S QUESTIONS IN RECENT
DAYS, THE STATE COMMITTEE ON PRICES AND MINISTRY OF TRADE
DO NOT INTEND TO RAISE RETAIL PRICES ON FOOD PRODUCTS.

ARTICLE GOES ON TO SAY, THEY "CONSIDER IT NECESSARY" TO STATE THAT SUCH QUESTIONS "HAVE NO FOUNDATION." THE ANNOUNCEMENT WAS ALSO READ IN FULL ON THE MARCH 22 NATION-WIDE TV EVENING NEWS SHOW "VREMYA."

2. COMMENT: SOVIET AUTHORITIES HAVE OBVIOUSLY FELT A NEED TO REACT TO WHAT THEY MAY DEEM TO BE MOOD OF PUBLIC UNCERTAINTY IN THE AFTERMATH OF THE MARCH 1 PRICE CHANGES (REFTELS). DESPITE THE EFFORT TO DEPICT THE PRICE RISES AS AFFECTING ONLY "LUXURIES" -- AND THAT IS ESSENTIALLY TRUE -- RUMORS OF FURTHER INCREASES ARE IN CIRCULATION. THE RUMORS MAY TO SOME EXTENT HAVE BEEN SPURRED BY STATE PRICE COMMITTEE CHAIRMAN GLUSHKOV'S MARCH 1 PRESS CONFERENCE ANNOUNCEMENT THAT PRICES WOULD BE RAISED ON A NUMBER OF WINES AND SPIRITS. THIS DID NOT APPEAR IN THE OFFICIAL ANNOUNCEMENT ON MARCH 1 AND HAS NOT, TO OUR KNOWLEDGE, APPEARED IN THE RUSSIAN-LANGUAGE PRESS YET ALTHOUGH PRICES OF SOME IMPORTED AND DOMESTIC WINES AND SPIRITS HAVE RISEN, AND AT LEAST ONE TYPE OF VODKA HAS GONE FROM 4.20 TO 6.00 RUBLES A BOTTLE.

3. RECENTLY A SOURCE IN THE RESTAURANT BUSINESS TOLD EMBOFF THERE WERE PERSISTENT RUMORS THAT PRICES OF BASIC COMMODITIES WOULD BE RAISED, INCLUDING MILK, BUTTER, MEAT AND BREAD. SOURCE HIMSELF DOUBTED THAT RETAIL PRICE OF BREAD TO THE CONSUMER WOULD BE RAISED, BUT HE THOUGHT IT POSSIBLE THAT THE PRICE TO RESTAURANTS MIGHT GO UP. LATTER CONFIDENTIAL

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CONCERN MAY BE INDICATIVE OF THE DEGREE OF UNCERTAINTY PREVAILING IN SOME CIRCLES.

4. IN OUR VIEW, OBSERVED PUBLIC REACTION TO THE MARCH 1 PRICE INCREASES HAS BEEN VERY SLIGHT. SEVERAL CAR OWNERS SHRUGGED OFF THE GASOLINE PRICE RISE AS BEING PART OF THE COST OF OWNING A CAR. WE ARE AWARE OF NO EVIDENCE OF PANIC BUYING OF BASIC COMMODITIES. RUMORS OF IMPENDING PRICE RISES PERSIST, HOWEVER, WITH APRIL 1 OFTEN SAID TO BE EFFECTIVE DATE. ONE RUMOR SAYS THE PRICE OF SUGAR WILL GO UP, AND ONE SOURCE SAID LONG LINES OF PEOPLE ARE BUYING AND BEGINNING TO HOARD SUGAR.

5. THE OFFICIAL DENIAL OF INTENTION TO RAISE FOOD PRICES -- UNPRECEDENTED AS FAR AS WE CAN RECALL -- DEMONSTRATES HOW SENSITIVE THE SOVIET AUTHORITIES STILL ARE ABOUT PUBLIC REACTION TO REAL OR IMAGINED PRICE CHANGES. IN RESPONSE TO A QUESTION, ONE SOURCE MARCH 23 SAID PEOPLE WILL BELIEVE THE DENIAL...BUT STILL GO ON BUYING. TOON

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